



# IFSL RESEARCH

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# LEGAL SERVICES

# 2009

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London has a strong reputation as a leading centre for the provision of international legal services. As this IFSL report shows, the great majority of these services are provided by international law firms which are based in the City of London.

### SUMMARY

Fee income of the largest 100 law firms in the UK grew 14% to a record £14.0bn in 2007/08 (Chart 1). Much of this growth came in the first half of the financial year as the effects of the credit crisis spread to international markets in the second half. This resulted in less revenue for law firms in practice areas such as M&A (Chart 2) and capital markets advisory. The 12.9% growth in profits during the year fell behind revenue growth for the first time since 2003/04, an indicator of a slowdown.

Revenue in 2008/09 is likely to be around previous year's levels. UK law firms' profits were up around 7% in the first half of the 2008/09 financial year compared with the same period in the previous year but are likely to deteriorate in the second half of the year. International firms in London have been performing better than firms dependent on the domestic market since the start of the credit crisis in 2007. Even so, to deal with a fall in business, international law firms are cutting costs by reducing the number of partners and other employees, moving lawyers between practice areas, freezing salaries and tightening management controls.

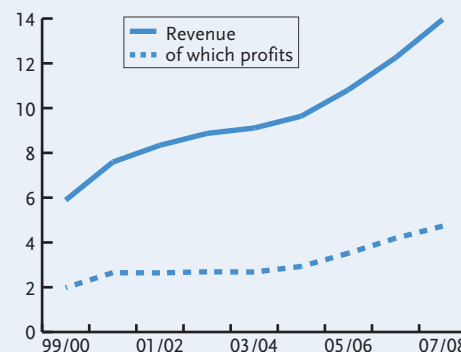
Over a half of revenue of the largest 100 law firms in the UK is generated by international law firms based in London. The remaining income is generated by foreign law firms, accountancy firms and regional firms. The strong global position of international law firms based in London is reflected in:

- The largest three Global 100 firms, based on gross revenue in 2007/08, were from the UK. In terms of head count, UK firms held five of the top seven places;
- The largest international law firms in London have between 45% and 65% of their lawyers based outside the UK and many other London-based firms have between 10% and 20% of lawyers overseas. Typically US firms, have less than a quarter of lawyers outside the US. There is no indication that international law firms are planning to reduce the scope of their overseas networks. The number of solicitors from England and Wales located abroad totalled around 5,000 in 2008;
- The largest international law firms in London are leading advisers in deals taking place in international capital markets.

England and Wales are very open in allowing virtually unrestricted access for foreign firms. There are over 200 foreign law firms with offices in London. Around a half of these are from the US, with the remainder mainly from Europe, Australia and Canada.

### Chart 1 UK legal services fee income

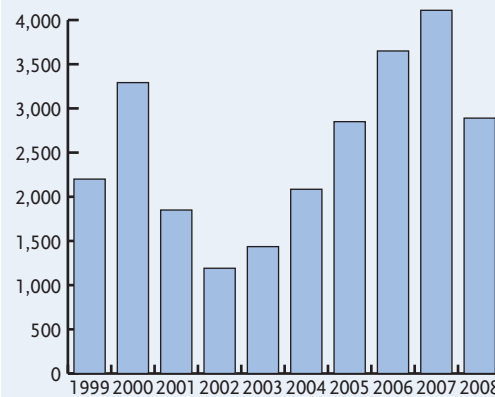
Revenue of largest 100 law firms in the UK (£bn)<sup>1</sup>



<sup>1</sup> the income of top 100 UK firms primarily originates in London  
Source: Legal Business

### Chart 2 Merger and acquisition activity

value of M&A deals, \$bn



Source: Thomson Financial

The strength of London as an international centre for legal services is reinforced by the expertise of barristers involved in international practice. Over 1,200 members of the Commercial Bar Association, and many members of other Specialist Bar Associations, practice in the field of international commercial law, with many cases heard in the Commercial Court, the Chancery Division, and the Technology and Construction Court

Legal services make an important contribution to the UK economy. They generated £16.6bn or 1.4% of the UK's gross domestic product in 2006. There were nearly 320,000 employed in legal services in 2007 which includes around 108,000 solicitors and over 13,000 barristers. Exports of law firms in the UK totalled £2,970m in 2007, more than three times a decade earlier.

### **INTERNATIONAL LEGAL SERVICES IN LONDON**

Fee income of the largest 100 law firms in the UK increased 14% in 2007/08 to a record £14.0bn (Chart 1). A larger proportion of business came in the first half of the financial year as the effects of the credit crisis spread to international capital markets towards the end of 2007. The 12.9% growth in profits during the year fell behind revenue growth for the first time since 2003/04, an indicator of a slowdown. International law firms based in London generated over a half of the largest 100 law firms' revenue (Tables 1 and 2). The remaining revenue was generated by foreign law firms, accountancy firms and regional law firms.

Revenue in 2008/09 is likely to be flat or slightly down on the previous year. Flat revenue typically results in a decline in profitability unless costs are contained. UK law firms' profits were up around 7% in the first half of the 2008/09 financial year compared with the same period in the previous year (Table 3). Large London law firms that are diversified more by geography and practice group are performing better than those that are focused heavily on the domestic market. A significant proportion of revenue in 2008/09 is coming from the growth markets of central and eastern Europe, the Middle East and Asia. UK law firms are better prepared for the current economic downturn compared with the previous downturn in 2002 and 2003. This is a result of significant improvements in productivity and expanding their international networks in recent years.

Practice areas of finance and property have been amongst those most affected by the economic downturn. There has been significant consolidation in the investment banking industry resulting in fewer investment banks as a source of advisory business for law firms. In all likelihood, in the short to medium term, there will be fewer large financial institutions and increased government involvement and regulation in the financial services sector. The practice areas which are performing better include insolvency/bankruptcy and restructuring. This revenue is expected to partially make up for reduced business in M&A and capital markets advisory. The largest firms are also expecting to supplement some of the loss in revenue with growth in litigation and arbitration business which typically has accounted for around one-third of their overall revenue in recent years.

**Table 1 Largest law firms in London by gross fees**

		Turnover (£m)		% in London
		London	Global	
2007/08				
1	Linklaters	600	1,277	47
2	Clifford Chance	548	1,337	41
3	Allen & Overy	498	1,016	49
4	Freshfields Bruckhaus Deringer	440	1,189	37
5	Slaughter & May	413	421	98
6	Herbert Smith	326	423	77
7	Lovells	233	476	49
8	Ashurst	226	323	70
9	Berwin Leighton Paisner	182	182	100
10	CMS Cameron McKenna	181	235	77
11	Norton Rose	171	295	58
12	Simmons & Simmons	168	290	58
13	SJ Berwin	160	216	74
14	DLA Piper	152	543	28
15	Denton Wilde Sapte	128	164	78

Source: Legal Business, The American Lawyer

**Table 2 Largest law firms in London by number of solicitors**

		Number of solicitors		% in London
		London	Global	
2007/08				
1	Clifford Chance	1,216	3,582	34
2	Linklaters	1,114	2,924	38
3	Allen & Overy	1,082	2,513	43
4	Herbert Smith	900	1,230	73
5	Freshfields Bruckhaus Deringer	784	2,395	33
6	Slaughter & May	661	725	91
7	Lovells	627	1,558	40
8	Berwin Leighton Paisner	575	584	98
9	CMS Cameron McKenna	557	927	60
10	Norton Rose	534	1,162	46
11	Ashurst	527	848	62
12	DLA Piper	466	3,414	14
13	SJ Berwin	465	700	66
14	Denton Wilde Sapte	451	704	64
15	Simmons & Simmons	397	949	42

Source: Legal Business, The American Lawyer

**Table 3 UK Law Firms' 1H-2008 results**

£m, profits	£m profits	% change
Allen & Overy	548	11
Lovells	260	15
Eversheds	188	-4
Norton Rose	142	11
Bird & Bird	85	15
Berwin Leighton Paisner	84	0
Clyde & Co	84	10
Denton Wilde Sapte	78	6
Nabarro	64	0
Wragge & Co	56	-6
Olswang	44	4
Taylor Wessing	43	-1
Trowers & Hamblins	42	16
Hill Dickinson	39	14
Watson, Fawley & Williams	30	25

Source: Legal Business

In order to deal a fall in business, law firms have placed more emphasis on cutting costs by reducing the number of partners and other employees, moving lawyers between practice areas, freezing salaries and tightening management controls. Some firms have taken a global approach to reducing their cost base, moving for example parts of their support functions in IT and accounting to offshore locations such as India.

Revenue of the largest 50 London firms increased by a fifth in 2007/08 to £7.02bn (Chart 3). This figure was however inflated by a number of large mergers such as the merger between Reed Smiths and Richards Butler. Corporate and finance business accounted for 62% of non-UK London firms' revenue in 2007/08, followed by litigation and arbitration 14% and real estate 4%. The role of corporate and finance business is smaller for the largest 50 global firms with 39% of total revenue (Chart 8). It remains to be seen how the reduction in corporate and finance advisory business in 2008/09 will affect large London law firms. M&A volumes fell more than 40% in 2008 (Chart 2). This is in contrast with 2007, particularly the first half of the year, when volumes were at record levels with the greatest activity occurring in Europe.

**International law firms in London** Firms are identified as international if 40% or more of their lawyers are working outside their home country. Based on gross fees, the largest three firms in the world are international law firms based in London (Table 7). UK firms also feature prominently in rankings based on the number of lawyers with five of the top seven places (Table 6). The largest UK firms have between 45%-65% of lawyers outside the UK. Typically US firms are more oriented towards their domestic market, and have less than a quarter of lawyers outside the US. The largest international law firms in London are leading advisers in deals taking place in international capital markets. They offer a substantial range of services. Other smaller firms offer expertise in certain services such as for example in shipping or international insurance, being world leaders in their own niche practice.

**Foreign law firms in London** Overall, England and Wales are very open in allowing virtually unrestricted access for foreign firms. There are over 200 foreign law firms in London many of which have developed capability in both English law and other forms of law. They can be divided into full service firms, specialist or niche firms and those firms that service clients looking to invest in the UK and continental Europe. The establishment of Lawyers Directive (1998) requires EU lawyers practicing in the UK to register with an appropriate

#### Legal Services Board

In 2001, the Office for Fair Trading identified a number of issues that had the potential to disadvantage consumers in the legal services sector. Following that work, Sir David Clementi undertook an independent review of the regulatory framework for legal services in England and Wales. His 2004 report highlighted the need for a new oversight body to bring consistency and clarity to the regulation of lawyers. That body, the Legal Services Board, was subsequently established under the Legal Services Act 2007. The Board came into being on 1 January 2009.

The Board itself is responsible for overseeing legal regulators in England and Wales. It is independent of Government and of the legal profession. It oversees nine separate bodies, the Approved Regulators. The Board will also oversee the new organisation being established to handle consumer complaints about lawyers, the Office for Legal Complaints.

Chart 3 Largest 50 London firms revenue

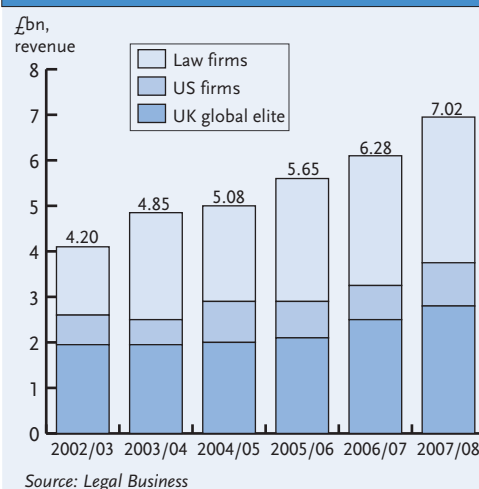


Table 4 Non UK law firms' offices in London

2007/2008	UK turnover £m	Number of lawyers in London	% of global in London
White & Case	118	345	16
Baker & McKenzie	112	352	11
Mayer Brown	102	313	20
Latham & Watkins	86	156	7
Reed Smith	85	309	22
Shearman & Sterling	66	147	15
Skadden, Arps, Sl. M&F	65	118	6
Sidley Austin	62	121	7
Weil Gotschal Manges	57	111	8
Dewey & LeBoeuf	57	182	13
Sullivan & Cromwell	50	70	10
Jones Day	50	178	8
Dechert	50	138	12
CGS&H	43	80	9
Debovoise & Plimpton	39	76	11

Source: Legal Business

Table 5 Distribution of solicitors and offices overseas

Overseas offices and solicitors from England and Wales, 2008	Number of solicitors	% share
Hong Kong	898	18
United Arab Emirates	655	13
Singapore	401	8
US	381	8
France	288	6
Germany	228	5
Australia	203	4
Japan	177	4
Switzerland	174	3
Belgium	159	3
Other	1,418	28
Total	4,982	100

Source: The Law Society

**Development of a global network**

While London remains the headquarters of many international law firms and the principal hub for their commercial and financial services, most larger firms have developed a global network. US law firms on the whole have not used their large domestic market as a basis for international expansion equivalent to that of the US investment banks. The global expansion of legal services has been a reflection of law firms' need to support the increasingly international activities of their clients and also to capitalise on the expanding international marketplace for their services. A strong trend over the past three years has been the expansion of international firms into China and India. This was prompted by the internationalisation of a growing number of companies from these countries which is generating M&A, private equity and capital-raising business for law firms.

professional body such as the Law Society or Bar Council and to comply with its regulations. EU lawyers may qualify as UK solicitors by having their qualifications recognised after three years of practice in the UK.

*US law firms* There are currently more than 100 US firms with offices in London. These account for a significant proportion of London business. This is partly due to the higher fees that they charge for their services as most US firms London tend to specialise on a few more profitable practice areas, whereas UK firms tend to service a much wider range of clients.

US firms in London employ a large number of English lawyers. Three-quarters of around 3,000 lawyers employed by these firms were from the UK. Many US firms in London have developed almost full-service English law capability. Some have done this through mergers with UK firms. According to the 2008 Legal Week annual survey of US law firms in London, 86% planned to increase their headcount over the year compared to 91% in 2007. The most sought after practice areas for recruitment according to the survey are international arbitration and litigation, finance, M&As, financial restructuring and insolvency. The percentage of US firms reporting in the 2008 survey that they have a full service London office was 41%, down from 49% in the previous year.

*Law firms from other countries* Other foreign firms in London typically tend to service the needs of London-based international corporations and financial institutions undertaking business in the country from which they originate. European firms have a significant presence in London. This primarily includes firms from France, Germany, Italy, Spain, the Netherlands, Scandinavia, Switzerland, Portugal and Russia. Australia is well represented in London by its three largest firms which concentrate on providing expertise to deals involving Australian law, usually cross-border M&As, securities, banking and tax transactions between Australia and Europe. The majority of work of Canadian firms in London is in relation to inward investment into Canada, mainly in energy. A number of offshore law firms also have offices in London.

**Accounting firms** Collectively, in 2001, the Big Five firms had more lawyers than the largest five law firms in the world. Following the collapse of Enron and WorldCom and the Sarbanes-Oxley Act of 2002, there has been a restructuring and closure in some cases of law arms of the remaining Big Four accounting firms. PwC Legal is the only remaining law firm that is a direct part of one of the Big Four. Law arms of accounting firms are now limited in

**Chart 4 Growth of legal services**

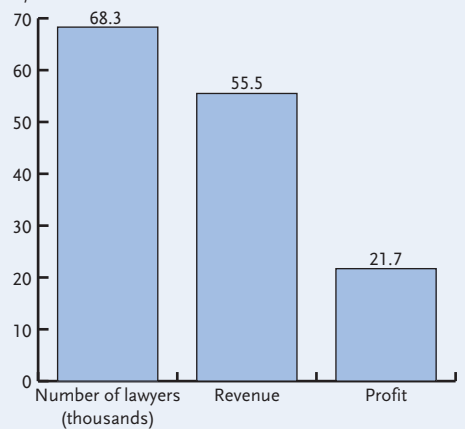
% growth of top 50 firms, 1998/99-2007/08



<sup>1</sup> Profit/Revenue  
Source: IFSL calculations based on Legal Business data

**Chart 5 Global 50 law firms revenue and head count**

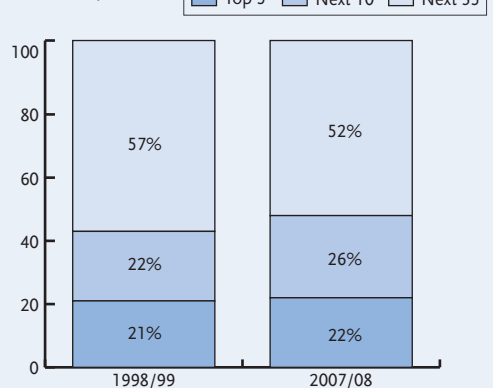
2007/08



Source: IFSL calculations based on Legal Business data

**Chart 6 Concentration of legal services**

Number of fee earners  
% share of Top 50



Source: IFSL calculations based on Legal Business data

services they can provide if they are the auditor of the client. If they are not the auditor of a particular client, they can offer the full range of services.

**National law firms** Firms are identified as national if they have no more than 45% of their lawyers located in one region of their home country. Some national law firms, that have a broad spread of offices in England and Wales, have built up a capability to compete with international London-based law firms. One-time regional or national firms such as Eversheds have developed London practices. A number of other regional firms have opened London offices while others have merged with London based law firms. Some national law firms have chosen to stay out of London and concentrate on regional business.

Scottish law firms have grown in recent years. Scottish firms have not only consolidated their hold over their domestic legal market but have increasingly become involved in international work. Most of Scotland's top firms have a London office.

**LARGEST LAW FIRMS**

The global legal market has been characterised by significant growth in fee income and consolidation amongst firms over the past decade. This has resulted in the creation of a growing number of multinational law firms (Chart 6). There may be more consolidation activity in 2009 as a result of the economic downturn. In the decade up to 2007/08, the head count of the top 50 firms grew by 40%, while profit increased by 293% and productivity by 170% (Chart 4).

Collectively, the firms that comprise The Global 50, generated over £55bn in gross fee earnings in 2007/08 (Chart 5). Close to 40% of revenue came from corporate and finance, 28% from dispute resolution and 7% from real estate. The share of corporate and finance is likely to drop in 2008/09 due to a fall in M&As and reduction in the number and volume of business of investment banks.

UK firms hold the top three places based on revenue. Clifford Chance was the largest law firm followed by Linklaters and Freshfields Bruckhaus Deringer (Table 7). UK firms generated around a fifth of the largest 50 global firms' revenue (Chart 7). In addition, there are a number of transatlantic practices which have significant UK practices with UK lawyers working on UK deals. The majority of other firms amongst the largest 50 global law firms are from the US. Collectively US firms accounted for nearly 60% of The Global 50's gross revenue. The prevalence of US firms in the rankings is a reflection of the size of the US economy, added to the fact that it is the most litigious country in the world. UK firms are also well positioned in terms of the numbers of lawyers that they employ with five out of the top seven places. Baker & McKenzie, with 3,626 lawyers is the largest firm in the world based on the number of lawyers followed by Clifford Chance and Linklaters.

*International networks of law firms* The strategy of establishing a substantial international network of offices, adopted by many of the larger international

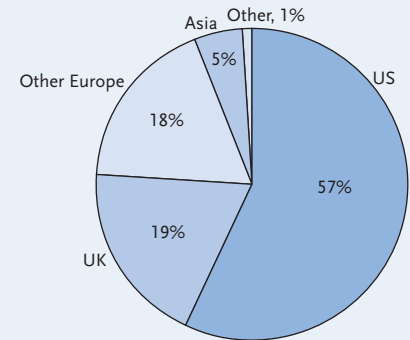
**Table 6 Largest law firms by number of lawyers**

2007/08	Location	Number of lawyers
1 Baker & McKenzie	International	3,626
2 Clifford Chance	International (UK)	2,828
3 Linklaters	International (UK)	2,448
4 Jones Day	National (US)	2,204
5 DLA Piper	International	2,174
6 Allen & Overy	International (UK)	2,131
7 Freshfields Bruckhaus Deringer	International (UK)	2,127
8 Latham & Watkins	International	1,979
9 White & Case	New York	1,971
10 Skadden, Arps, Slate, Meagher & Flom	New York	1,941
11 Sidley Austin	Chicago	1,698
12 Greenberg Traurig	National (US)	1,680
13 Garrigues Madrid	International (Spain)	1,619
14 Mayer, Brown, Rowe & Maw	National (US)	1,489
15 Lovells	International	1,403

Source: Legal Business, The American Lawyer

**Chart 7 Global 50 by region**

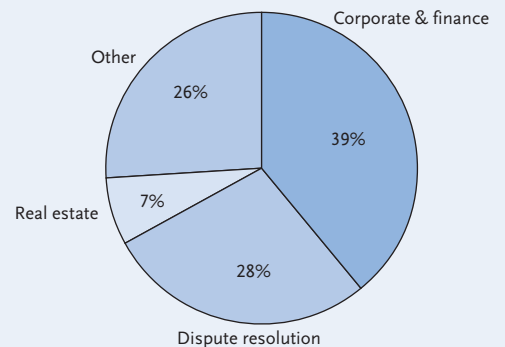
% share, 2007/08



Source: Legal Business

**Chart 8 Global 50 by practice**

% share, 2007/08



Source: Legal Business

Table 7 Largest law firms by gross fees

2007/08	Headquarters	Gross revenue \$m	% Lawyers outside home country
1 Clifford Chance	International (UK)	2,661	65%
2 Linklaters	International (UK)	2,589	62%
3 Freshfields Bruckhaus Deringer	International (UK)	2,359	67%
4 Baker & McKenzie	International	2,188	82%
5 Skadden, Arps, Slate, Meagher & Flom	New York	2,170	16%
6 Allen & Overy	International (UK)	2,034	59%
7 Latham & Watkins	International	2,006	24%
8 Jones Day	National (US)	1,441	27%
9 Sidley Austin	Chicago	1,386	14%
10 White & Case	New York	1,373	66%
11 Kirkland & Ellis	Chicago	1,310	8%
12 Greenberg Traurig	National (US)	1,200	4%
13 Mayer Brown	National (US)	1,183	28%
14 Weil, Gotshcal & Manges	New York	1,175	21%
15 DLA Piper US	National (US)	1,134	0%
16 DLA Piper	International	1,074	51%
17 Morgan, Lewis & Bockius	National (US)	1,033	7%
18 Sullivan & Cromwell	New York	985	22%
19 McDermott Will & Emery	Chicago	978	12%
20 Paul, Hastings, Janofsky & Walker	National (US)	975	19%
21 Simpson Thacher & Bartlett	New York	966	11%
22 Lovells	International	959	76%
23 Wilmer Cutler Pickering Hale and Dorr	National (US)	944	10%
24 O'Melveny & Myers	Los Angeles	934	11%
25 Shearman & Sterling	New York	921	46%
26 Gibson, Dunn & Crutcher	Los Angeles	908	11%
27 Cleary Gottlieb Steen & Hamilton	New York	894	38%
28 Morrison & Foerster	San Francisco	892	18%
29 Reed Smith	National (US)	880	28%
30 Hogan & Hartson	Washington DC	845	22%
31 Herbert Smith	International (UK)	839	37%
32 Slaughter and May	London	837	8%
33 Dechert	National (US)	789	17%
34 Davis Polk & Wardwell	New York	781	13%
35 Eversheds	National (UK)	772	8%
36 Orrick, Herrington & Sutcliffe	San Francisco	755	30%
37 K&L Gates	National (US)	753	16%
38 Akin Gump Strauss Hauer & Feld	National (US)	744	7%
39 Bingham McCutchen	National (US)	733	4%
40 Ropes & Gray	Boston	721	0%
41 Foley & Lardner	Milwaukee	710	1%
42 Debevoise & Plimpton	New York	698	25%
43 Winston & Strawn	Chicago	654	8%
44 Hunton & Williams	Richmond	651	7%
45 Paul, Weiss, Rifkind, Wharton & Garrison	New York	650	5%
46 Fulbright & Jaworski	Houston	647	5%
47 Ashurst	International (UK)	643	35%
48 Milbank, Tweed, Hadley & McCloy	New York	628	19%
49 Proskauer Rose	New York	616	4%
50 King & Spalding	Atlanta	613	4%

Source: Legal Business, The American Lawyer

law firms in the UK, means that they tend to have a much higher percentage of lawyers outside their home jurisdiction than US law firms. US firms have been slower in expanding their networks worldwide. Important exceptions are Baker and McKenzie and White & Case which have a much bigger proportion of lawyers in other countries. Most other US law firms amongst the top 100 have less than a quarter of their lawyers outside their jurisdiction although this proportion has increased in recent years. Cities where international law firms

### Range of international legal services

The biggest areas of practice of law firms in the UK include corporate work, banking and capital markets. Property and dispute resolution have gained in importance in recent years, although the extent of each law firm's involvement in the various areas of practice will vary.

The main areas of work undertaken by law firms in London include:

- *Corporate finance* Joint ventures, M&As, equity issues, corporate reorganisations, management buyouts, company law (Chart 8);

- *Other corporate and commercial law* Aviation, shipping, commodities, competition, IT and digital media, telecoms, media and entertainment;

- *Banking/project finance* bank lending, debt rescheduling, project finance, public private partnerships, securitisation, aircraft and ship finance;

- *International capital markets* equity issues, money raising, asset securitisation, privatisation, derivative products, eurobonds;

- *Tax* corporate tax (and personal tax planning where there is no private client department), stamp duty, VAT;

- *Dispute resolution* arbitration, alternative dispute resolution, and litigation;

- *Insurance and reinsurance* involves advising on claims under insurance and reinsurance policies and conduction related litigation and arbitration.

- *Property* sales and leasing of commercial property, property finance, property development, environmental law, town and country planning;

- *Intellectual property* patents, copyrights, confidentiality;

- *Employment/pensions* implications of mergers and acquisitions, establishment and maintenance of pension schemes, contracts of employment, immigration advice;

- *Public international law* relates to the handling of legal issues affected by international jurisdiction such as the International Court of Justice.

- *Private clients* family law, probate, tax planning, trusts;

- *World Bank / EBRD projects* work A niche market for UK firms has developed in recent years in relation to World Bank and EBRD projects work.

are most likely to establish an office include London, New York, Brussels, Tokyo, Hong Kong, Singapore and Paris. Despite the lack of an overseas network, US law firms, particularly those based in New York, still derive a considerable proportion of their revenue from work generated outside the US.

A number of general observations can be made:

- The competition for business in international financial markets is largely the preserve of London and US law firms, although firms elsewhere in Europe are becoming more active;
- The presence of US law firms is typically more fragmented than of international law firms based in London, as they do not cover as broad a spread of banking and capital market activities;
- Although the number of deals won by US law firms is often fewer than London firms, those they are involved in are frequently larger, aided by their close historic links with US investment banks. The wider international coverage of London firms has enabled them to build relationships with these banks as their share of the European and Asian markets has grown.

## **INTERNATIONAL DISPUTE RESOLUTION**

English law is, like the English language, commonly used in international commerce and international dispute resolution. London has long been recognised as a primary centre for international and commercial litigation and arbitration. While litigation is still the dominant form of dispute resolution, used in about three-quarters of cases, arbitration and alternative dispute resolution have an important role.

Over 10,000 such disputes, many with an international dimension, were resolved in the UK in 2007 (Table 9). Resolution of the majority of these disputes is administered by a few organisations. The Chartered Institute of Arbitrators handled the most referrals at 2,882, closely followed by the London Maritime Arbitrators' Association with 2,751. Disputes referred to the London Court of International Arbitration reached 137 in 2007 and 107 referrals were made under Lloyd's Form of Salvage Agreement. The Centre for Effective Dispute Resolution mediated 750 disputes in 2007 while CEDR's two-yearly audit found that a total of 3,700 mediations were conducted in the UK in 2007, including 669 by members of the Panel of Independent Mediators.

About 90% of disputes handled by international law firms in London involve at least one party that is based elsewhere in the world. There were in addition an unknown number of other ad hoc arbitrations and mediations in London in which all the parties and counsel were foreign.

The International Dispute Resolution Centre (IDRC) is the largest of a number of specialist centers developed in London in recent years for hosting the resolution of disputes. Strength of demand following its opening in 2000 led to a move to new premises in 2004. The rise in bookings continued up to 2006 but there was a 13% drop in 2007.

**Table 8 Leading London law firms involved in shipping**

2006	
Barlow Lyde & Gilbert	Middleton Potts
Bentleys, Stokes & Lowless	More Fisher Brown
Clifford Chance	Norton Rose
Clyde & Co	Richards Butler
Curtis David Garrard	Shaw and Croft
Fishers	Stephenson Harwood
Hill Dickinson	Thomas Cooper & Stibbard
Hill Taylor Dickinson	Waltons & Morse
Holman Fenwick & Willan	Waterson Hicks
Ince & Co	Watson, Farley & Williams
Jackson Parton	Winter Scott
Lawrence Graham	

Source: Chambers Guide to the Legal Profession

**Table 9 Arbitrations/mediations conducted in London**

Number of referrals, appointments or cases submitted in 2007	
Chartered Institute of Arbitrators	2,882
London Maritime Arbitrators' Association	2,751
Centre for Effective Dispute Resolution	750
Panel of Independent Mediators	669
London Court of International Arbitration	137
Lloyd's Form of Salvage Agreement	107
ICC International Court of Arbitration	58
Other mediations	2,281
Trade associations (estimate)	500
Ad hoc arbitrations (estimate)	300
<b>Total (rounded)</b>	<b>10,400</b>

Source: Dispute Resolution organisations

**Commercial Court** Since 1895 the High Court has incorporated a separate Commercial Court where the procedures are geared to reflect the special requirements of the international commercial community. Around 80% of the claims brought to the Commercial Court involve overseas parties, and in around a half of cases, there is no link to London except for the parties' choice of London for dispute resolution.

**Chancery Division** Many international cases are also heard in the Chancery Division, which includes the Companies Court. The Chancery Division plays a leading role in many areas of business law, including takeovers and mergers, insolvency, intellectual property; banking, financial services, trusts, fund management and media work.

**Technology and Construction Court** Parties involved in international projects in the technology and construction sector increasingly chose to resolve their disputes through this Court with its judges who are specialists in these technically complex sectors.

Factors motivating parties to choose one of these specialist Courts as the venue for dispute resolution include: good judges, efficiency and speed, consistent decisions, enforceable judgments and London as a location. Cases started in the Commercial Court each year usually number between 1,500 and 2,000, of which between 5% and 10% typically go to trial (Table 10). In the mid 1990s the number was inflated by cases started by Lloyd's against Names who did not accept the market settlement in 1996. In the year ending July 2006 the number of cases started totalled 1,117 with 202 trials that actually took place. The Chancery Division has a workload of some 4,000 issued claims a year, in addition to the workload of the Bankruptcy Court and the Companies Court. The Companies Court deals with some 12,000 cases each year.

In December 2006, plans for the biggest dedicated business court in the world were unveiled by Her Majesty's Courts Service. The new court will be around four times bigger than its nearest competitor and will replace the existing facilities of the Commercial Court, the Chancery Division and the Technology and Construction Court.

More information on international dispute resolution can be found in IFSL's report *International Dispute Resolution in London, September 2008*.

## **INTERNATIONAL PRACTICE OF BARRISTERS**

The importance of London as a commercial and financial centre has created an enormous demand for specialist legal advice in a wide range of areas. The Commercial Bar Association (COMBAR) was formed in 1989 to bring together barristers who practice in the field of international and commercial law and who offer that service. The principal fields of practice for over 1,200 members of COMBAR cover international trade, shipping and aviation, banking and financial services, insurance, commodity transactions, international arbitration, insolvency, oil and gas/energy law and European Union law.

**Table 10 Commercial Court**

Year ending July, Number of	Cases	Trials
1985	1,546	130
1990	1,874	125
1997	2,866	179
1998	1,285	80
1999	1,808	50
2000	1,160	82
2001	1,149	74
2002	1,226	75
2003	1,049	70
2004	1,114	58
2005	997	97
2006	1,131	75

Source: Commercial Court

### **Barristers**

Barristers in England and Wales form a group of specialist consultants with particular expertise in advisory, drafting and advocacy work. The Bar Council is the governing body for the Bar. Its role is to promote and improve the services and functions of the Bar and to represent the interests of the Bar.

The Bar contains individuals with expertise in all areas of the law. Many will also have knowledge of other systems of law and be able to advise on complex international questions. The distinction between solicitors and barristers has been eroding but the main distinction remains that solicitors provide a continuous service to clients, whilst barrister act as a source of specialist legal advice on particular points of law or when a specialist or highly experienced advocate is required. Barristers are also able to advise overseas clients directly without the need for a solicitor to be instructed and this is becoming increasingly common. They can also be instructed directly to appear in International Arbitrations and courts outside England & Wales.

In addition to COMBAR, there are other Specialist Bar Associations, many of whose members include barristers practicing in aspects of international and commercial law. The Chancery Bar Association encompasses practitioners with, a specialised knowledge of international trusts, taxation, pensions, financial services, insolvency, patents and corporate law. TECBAR is the organisation for barristers specialising in disputes arising out of technology and construction; ranging from the design and construction of large infrastructure projects to that of computer software. The Criminal Bar Association is the focal point of contact for those concerned in commercial and business fraud, extradition, money laundering, corporate manslaughter and general crime. The Intellectual Property Bar Association is the specialist bar association for barristers practising in all areas of intellectual property law in England and Wales including patents, registered trade and service marks, passing off, copyright, etc.

The concentration on court work has enabled barristers to develop specialist expertise particularly as advocates in English courts and some overseas courts, where English Law is practised. Barristers provide advice and opinions on points of English law, and act as arbitrators or advocates in London and other major world centers.

The main services offered by commercial barristers include:

*Advocacy and litigation* Barristers can receive instructions to appear in a wide range of courts in England and Wales and overseas;

*Legal advice and expert evidence* Barristers may be instructed to give advice, orally or in writing, on any matter of English or European Law arising anywhere in the world. Barristers specialising in criminal work are also increasingly involved internationally e.g., the ICC;

*Arbitration* More international and commercial arbitrations take place in London than in any other city in the world. Many Queen's Counsel and other barristers as well as some law firms in the UK have specialist experience of conducting arbitration or acting as arbitration advocates;

Many barristers also have direct experience in international arbitration under the International Chamber of Commerce and the London Court of International Arbitration, and these barristers can be appointed to sit as international arbitrators by overseas lawyers or overseas lay clients.

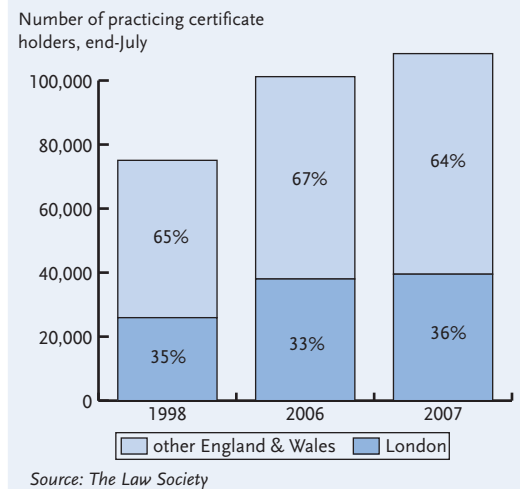
**CONTRIBUTION OF LEGAL SERVICES TO THE UK ECONOMY**

**Output** Estimates based on Office for National Statistics data indicate that the output of legal services in terms of gross domestic product (GDP) more than doubled in the decade up to 2006. GDP of the UK economy as a whole increased by around 60% during this period. Legal activities contributed £16.6bn or 1.4% to the UK's GDP in 2006. This includes legal representation of one party's interests against another party in civil and criminal cases, whether or not it occurs in the courts. It also includes advice and representation in a range of areas from corporate transactions of various sorts to labour law, patents/copyright as well as activities of arbitrators, notaries and bailiffs. The

**Table 11 Recorded employment in legal services in the UK**

2007	
<b>Private practice</b>	<b>294,205</b>
<i>Law firms: England &amp; Wales</i>	
- practising solicitors	108,407
- other fee earners	40,000
- admin staff	119,000
<i>Law firms: Scotland</i>	
- solicitors	10,152
<i>Law firms: N.Ireland</i>	
- solicitors	2,000
<i>Foreign law firms in London</i>	1,500
<b>Barristers</b>	
- England & Wales (self-employed)	12,086
- Scotland	460
- N.Ireland	600
<b>Non-private practice</b>	<b>25,800</b>
<b>Total recorded employment</b>	<b>320,005</b>
<small>Source: IFSL estimates based on data from the Law Society, Law Society of Scotland, Law Society of Northern Ireland, General Council of the Bar, Faculty of Advocates, Bar Council of Northern Ireland, Legal Week</small>	

**Chart 9 Number of solicitors on the Roll**



main exclusions on the ONS definition are the activities of the law courts which are separately categorised, and lawyers employed by non-legal firms whose activity would be credited to the sector of their employer.

**Employment** In order to estimate the number of people employed by law firms in the UK, it is useful to categorise employment into three main types: law firms and independent practitioners; barristers; and solicitors in non-private practice. Taken together, available figures indicate a total of around 320,000 people employed in legal services in the UK in 2007 (Table 1).

**Table 12 Category of employment**

*Practising certificate holders in England and Wales*

	Total		of which				Total non-private practice	Total
	Private practice	Commerce & industry	Local Government	Crown Prosec. Ser.	Other			
1990	46,652	2,177	2,237	1,100	41,138	8,082	54,734	
1998	60,818	4,661	2,845	1,525	51,787	14,254	75,072	
1999	64,026	5,023	3,000	1,492	54,511	15,477	79,503	
2000	66,445	5,189	3,055	1,529	56,672	16,324	82,769	
2001	68,466	5,831	3,094	1,546	57,995	18,137	86,603	
2002	70,571	6,081	3,097	1,697	59,696	18,474	89,045	
2003	72,545	6,541	3,221	1,884	60,899	20,207	92,752	
2004	75,079	7,205	3,442	2,063	62,369	21,678	96,757	
2005	78,092	8,066	3,653	2,251	64,122	22,846	100,938	
2006	80,575	8,611	3,709	2,266	65,989	23,968	104,543	
2007	82,557	9,824	4,018	2,380	66,335	25,850	108,407	

Sources: The Law Society

Law firms and independent practitioners are the largest source of employment and need to be considered according to the origin of the firm:

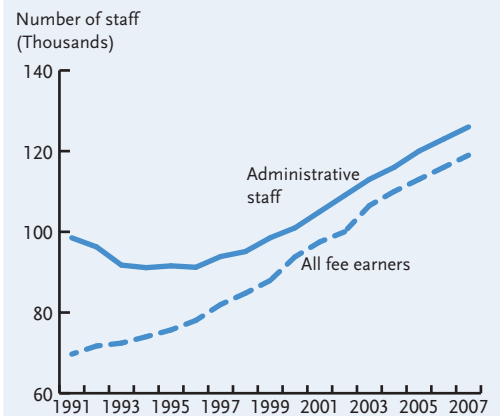
- The number of fee earners in private practice in law firms in England and Wales totalled nearly 300,000, of which 120,000 were solicitors. Around 119,000 people were employed as support staff. This does not include lawyers employed in the UK by these firms who are principally trained in the law of another jurisdiction, principally US lawyers;
- Law firms in Scotland and Northern Ireland employed around 10,000 and 2,000 solicitors respectively;
- Many foreign law firms, including over 100 US firms, maintain a presence in London, though the size of their presence varies from 'being full service' in a few firms to a 'nameplate' for a larger number.

The number of solicitors in private practice in England and Wales has increased more than threefold since 1970 and by over a half since 1990 (Chart 9). However, the number of support staff fell in the early 1990s before stabilising and rising again in recent years to reach nearly 120,000 in 2007.

Solicitors in non-private practice represent another major source of employment (Table 12). Those on the Roll in England and Wales and employed in organisations other than private practice, numbered 25,800 in 2007. The majority of these work in commerce/industry, local government and the Crown Prosecution Service. The number of solicitors employed in commerce/industry more than doubled to 9,824 in the decade up to 2007. Over the same period solicitors employed by local government and the Crown Prosecution Service (CPS) increased by around a half each. There are also around 5,000 solicitors on the Roll who are working abroad, a number which has increased steadily during the past decade. The number of employed solicitors may be rather higher than these figures suggest because their status as employees means they are not required to hold practising certificates.

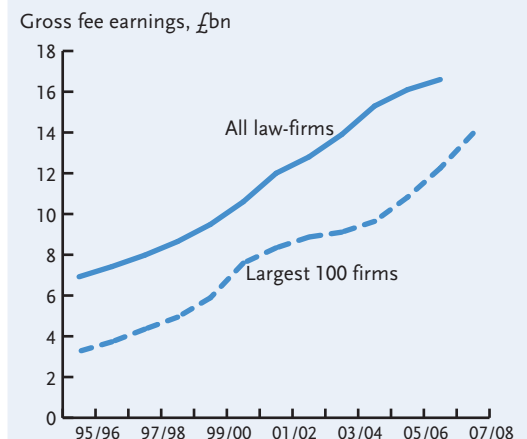
Barristers in independent practice in England and Wales totalled over 12,000 in 2007, a figure which has increased by a half during the past decade. In Scotland

**Chart 10 Staff in private practice firms in England and Wales**



<sup>1</sup> Firms with gross fees over £15,000  
Source: The Law Society

**Chart 11 Fee earnings of law firms in England and Wales<sup>1</sup>**



Source: National Statistics, Legal Business

there were 460 advocates practicing in 2007, and in Northern Ireland there were 1,539 barristers.

**Revenue and profits** Total gross fees generated by law firms in England and Wales increased by around 40% from £10.6bn to £16.6bn between 2000/01 and 2006/07 (Chart 11). The Legal Business 100 reported a rise in earnings of the largest 100 law firms from £5.9bn in 1998/99 to £14.0bn in 2007/08. The level of fees tends to be higher in larger firms. London firms account for a substantial proportion of UK law firms' business. Overseas firms generate a small but increasing share of London law firms' business. London firms are facing increased competition from UK regional law firms.

**Exports of legal services**

In the case of legal services, exports are generated from a number of sources:

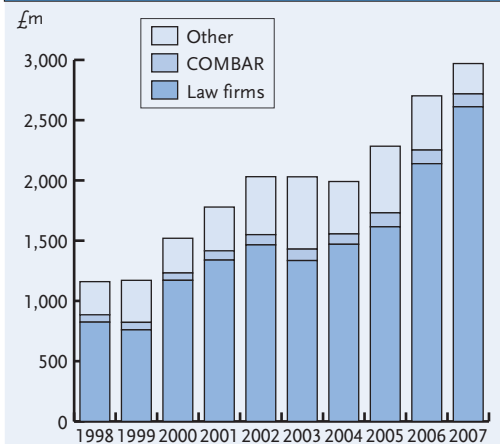
- Law firms, including those originating in England and those firms with an office in the UK;
- Barristers providing services to foreign clients, particularly the members of The Commercial Bar Association (COMBAR);
- Legal services provided by lawyers employed by other organisations, which are not themselves, legal entities.

Exports generated from providing legal services should be offset against any imports of legal services - those purchased by clients in the UK from providers of legal services overseas. In practice the data on exports captured by official surveys are not yet comprehensive.

- Based on a survey of the international law firms from the UK, exports were estimated at £2,611m in 2007, more than three times the level a decade earlier (Chart 12);
- Exports of COMBAR member sets totalled £107m in 2007 having risen from £61m ten years earlier. Many barristers that are members of other Specialist Bar Associations also undertake international work generating exports but COMBAR is the only association to compile statistics. The Bar Council therefore estimates that the total figure for exports is likely to be double the official COMBAR figure.
- Exports generated from lawyers in other organisations totalled £252m in 2007, of which around half was due to activities of patenting agents. The other half is largely attributable to internal billings related to legal services provided by companies to their overseas subsidiaries.

Taking account of imports (mainly related to billings of UK businesses from law firms based overseas) of £507m, net exports of UK legal services stood at £2,463m (Table 13).

Chart 12 Exports of legal services



Source: Office for National Statistics

Table 13 Net exports of UK legal services

£bn	Exports	Imports	Net Exports
1997	924	209	715
1998	1,160	249	911
1999	1,171	307	864
2000	1,520	490	1,030
2001	1,779	380	1,399
2002	2,031	486	1,545
2003	2,030	453	1,577
2004	1,991	416	1,575
2005	2,284	429	1,855
2006	2,702	534	2,168
2007	2,970	507	2,463

Source: Office for National Statistics

**LINKS TO OTHER SOURCES OF INFORMATION:****Bar Council**

[www.barcouncil.org.uk](http://www.barcouncil.org.uk)

**Chambers and Partners**

[www.chambersandpartners.com](http://www.chambersandpartners.com)

**The Commercial Bar Association**

[www.combar.com](http://www.combar.com)

**Legal Business**

[www.legalbusiness.co.uk](http://www.legalbusiness.co.uk)

**The Law Society**

[www.lawsociety.org.uk](http://www.lawsociety.org.uk)

**Office for National Statistics**

[www.statistics.gov.uk](http://www.statistics.gov.uk)

**The Lawyer**

[www.thelawyer.co.uk](http://www.thelawyer.co.uk)

**Law Gazette**

[www.lawgazette.co.uk](http://www.lawgazette.co.uk)

**Legal Week**

[www.lwk.co.uk](http://www.lwk.co.uk)

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